

**West Bloomfield Township
Parks and Recreation Commission
Oakland County, Michigan**

**Financial Report
December 31, 2003**

West Bloomfield Township Parks and Recreation Commission

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Independent Auditor's Report

West Bloomfield Township
Parks and Recreation Commission
Oakland County, Michigan

We have audited the accompanying general purpose financial statements of the West Bloomfield Township Parks and Recreation Commission as of December 31, 2003 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the West Bloomfield Township Parks and Recreation Commission as of December 31, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

March 26, 2004

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West Bloomfield Township

Parks and Recreation Commission

Balance Sheet

General Fund and Account Groups

December 31, 2003

	General Fund	General Fixed Assets	General Long-term Debt	Totals (Memorandum Only)
Assets				
Cash (Note 2)	\$ 1,102,056	\$ -	\$ -	\$ 1,102,056
Investments (Note 2)	448,651	-	-	448,651
Grants receivable	76,132	-	-	76,132
Property taxes receivable	1,802,647	-	-	1,802,647
Tax collections due from West Bloomfield Township	754,674	-	-	754,674
Interest receivable	288	-	-	288
Restricted assets (Note 3)	19,670	-	-	19,670
Capital assets (Note 4)	-	3,482,998	-	3,482,998
Amount available in General Fund	-	-	19,670	19,670
Amount to be provided for the payment of long-term debt	-	-	2,451,865	2,451,865
Total assets	<u>\$ 4,204,118</u>	<u>\$ 3,482,998</u>	<u>\$ 2,471,535</u>	<u>\$ 10,158,651</u>
Liabilities and Fund Equity				
Liabilities				
Accounts payable and other liabilities	\$ 107,944	\$ -	\$ -	\$ 107,944
Retainage payable	3,000	-	-	3,000
Accrued payroll and related taxes	22,712	-	-	22,712
Deferred property tax revenue	2,864,405	-	-	2,864,405
Deferred revenue (Note 5)	119,582	-	-	119,582
Long-term debt (Note 6)	-	-	2,471,535	2,471,535
Total liabilities	3,117,643	-	2,471,535	5,589,178
Fund Equity				
Investment in general fixed assets	-	3,482,998	-	3,482,998
Fund balance:				
Reserved for debt service (Note 3)	19,670	-	-	19,670
Unreserved:				
Designated for subsequent year's budgeted expenditures in excess of budgeted revenue	198,991	-	-	198,991
Undesignated	867,814	-	-	867,814
Total fund equity	1,086,475	3,482,998	-	4,569,473
Total liabilities and fund equity	<u>\$ 4,204,118</u>	<u>\$ 3,482,998</u>	<u>\$ 2,471,535</u>	<u>\$ 10,158,651</u>

West Bloomfield Township

Parks and Recreation Commission

Statement of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended December 31, 2003

	General Fund		
	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes:			
General	\$ 654,316	\$ 654,316	\$ -
Land	1,321,947	1,321,947	-
Active recreation	781,527	781,527	-
Recreation program fees and other user charges	190,000	184,151	(5,849)
Family Aquatic Center income	205,000	202,376	(2,624)
Interest	15,363	31,550	16,187
Smart Transportation Grants	208,911	222,552	13,641
Other	38,000	38,611	611
Sponsorship income	2,000	2,750	750
CDBG Barrier Free	130,286	95,508	(34,778)
CDBG Senior Support	27,725	27,725	-
Bloomer CMI Grant	21,870	21,870	-
Karner MNRTF Grant	26,311	26,311	-
Total revenue	3,623,256	3,611,194	(12,062)
Expenditures			
Commission	20,604	21,161	(557)
Administration	584,548	572,223	12,325
Recreation	467,495	433,444	34,051
Park operations	826,065	826,683	(618)
Family Aquatic Center	509,890	473,941	35,949
Transportation	127,305	120,009	7,296
Capital outlay	65,393	65,393	-
Debt service:			
Family Aquatic Center	281,303	281,303	-
Karner and Schulak Farms	311,243	311,243	-
Schulak Farm development	798,000	793,193	4,807
Total expenditures	3,991,846	3,898,593	93,253
Excess of Expenditures Over Revenue	(368,590)	(287,399)	81,191
Fund Balance - January 1, 2003 (Note 1)	1,373,874	1,373,874	-
Fund Balance - December 31, 2003	\$ 1,005,284	\$ 1,086,475	\$ 81,191

West Bloomfield Township

Parks and Recreation Commission

Notes to Financial Statements December 31, 2003

Note 1 - Significant Accounting Policies

The accounting policies of West Bloomfield Township Parks and Recreation Commission (the "Commission") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

The Commission is governed by an elected seven-member Board of Commissioners. In accordance with accounting principles generally accepted in the United States of America, the Commission has no component units.

Fund Accounting

The accounts of the Commission are organized on the basis of a General Fund, a General Fixed Assets Account Group, and a General Long-term Debt Account Group, each of which is considered a separate accounting entity.

In prior years, the Commission maintained and reported three distinct funds, which comprised the operations of the parks and recreation activities. Effective January 1, 2003, the fund equities of the respective funds were combined as follows:

General Fund	\$ 280,307
Land Fund	626,671
Active Recreation Fund	<u>466,896</u>
Total	<u>\$ 1,373,874</u>

General Fund activities are financed by revenue from general property taxes, program fees, and other sources. The General Fund is also used for the acquisition, preservation, enhancement, maintenance of land for parks and recreational purposes, and the acquisition, development, maintenance, and operation of public parkland facilities, specifically the development of youth and community active recreational sites.

West Bloomfield Township

Parks and Recreation Commission

Notes to Financial Statements

December 31, 2003

Note 1 - Significant Accounting Policies (Continued)

Basis of Accounting

The modified accrual basis of accounting is used. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations of the Commission are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes are billed and become a lien on December 1 of the following year. They are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at December 31.

- b. Interest on long-term debt is not recorded as an expenditure until its due date.
- c. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- e. The noncurrent portion of accumulated sick and vacation days is reflected in the General Long-term Debt Account Group.

General Fixed Assets and Long-term Liabilities - General fixed assets purchased are recorded as expenditures at the time of purchase. Such assets are capitalized at cost in the General Fixed Assets Account Group. Gifts or contributions are recorded at fair market value at the time received. No depreciation has been provided on general fixed assets.

Long-term liabilities expected to be financed from the General Fund are accounted for in the General Long-term Debt Account Group, not in the General Fund.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Investments - Investments are recorded at fair value based on quoted market prices.

West Bloomfield Township Parks and Recreation Commission

Notes to Financial Statements December 31, 2003

Note 1 - Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Memorandum-only Totals - The total data presented is the aggregate of the fund type and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Note 2 - Cash and Investments

Deposits

The Commission's deposits, shown as cash on the balance sheet, are administered by the Charter Township of West Bloomfield (the "Township") and are held in separate accounts in the name of the Township. The deposits are reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,084,424. The federal depository insurance coverage pertains to all the deposits of the Charter Township of West Bloomfield; hence, the specific coverage pertaining to the Commission's deposits, if any, is not determinable.

Investments

The Charter Township of West Bloomfield performs the investment function on behalf of the Commission. Michigan law permits investments in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of the above investment vehicles. All investments as of December 31, 2003 consist of bank investment pools. Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book-entry form.

The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares.

West Bloomfield Township Parks and Recreation Commission

Notes to Financial Statements December 31, 2003

Note 2 - Cash and Investments (Continued)

Restricted Assets

Restricted assets include \$19,670 of investments held at the Township, which consist of bank investment pools. As mentioned above, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book-entry form.

Note 3 - Restricted Assets and Fund Balance

Restricted assets consist of bank investment pools and represent interest on unspent bond proceeds related to the West Bloomfield Family Aquatic Center. Although construction of the Family Aquatic Center has been completed, the remaining proceeds will be used to offset future debt service costs related to the bond issuance. Fund balance has been reserved in an equal amount.

Note 4 - Capital Assets

The capital assets of West Bloomfield Township Parks and Recreation Commission at December 31, 2003 consist of the following:

	Balance January 1, 2003	Additions	Balance December 31, 2003
Park sites and improvements	\$ 1,602,930	\$ 923,844	\$ 2,526,774
Motor and park maintenance equipment	604,331	85,263	689,594
Office furniture and equipment	253,841	12,789	266,630
Total capital assets	<u>\$ 2,461,102</u>	<u>\$ 1,021,896</u>	<u>\$ 3,482,998</u>

West Bloomfield Township

Parks and Recreation Commission

Notes to Financial Statements December 31, 2003

Note 4 - Capital Assets (Continued)

The Recreation Activity Center, completed in 1997, and the Family Aquatic Center building renovation, completed in 1999, are not included in the General Fixed Assets Account Group of the Parks and Recreation Commission. The cost to complete the Recreation Activity Center and the Family Aquatic Center is included in West Bloomfield Township's General Fixed Assets Account Group. The title of the land is held in the Township's name; however, the Parks and Recreation Commission is responsible for operations, maintenance, and day-to-day control over the facility. Since its inception, the Parks and Recreation Commission has been responsible for acquiring, developing, and operating park land. At the present time, the Commission operates 519 acres, as follows:

Sites	Acres
Bloomer Park	36
Bloomfield Knolls Park	2
Civic Center Park	70
Community Sports Park	15
Drake Sports Park	52
Marshbank Park	108
Sylvan Manor Park	3
West Bloomfield Trail Network	28
West Bloomfield Woods Nature Preserve	162
Karner Farm	33
Schulak Farm	5
West Bloomfield Family Aquatic Center	5
Total acres	<u>519</u>

Note 5 - Deferred Revenue

Deferred revenue at December 31, 2003 is as follows:

	Advances on Programs and Grants	Revenue Not Available to Finance Current Expenditures	Total
General Fund	\$ 43,450	\$ 76,132	\$ 119,582

West Bloomfield Township

Parks and Recreation Commission

Notes to Financial Statements December 31, 2003

Note 5 - Deferred Revenue (Continued)

Advances on Programs and Grants - During the current year, the Parks and Recreation Commission received funds for recreation programs in the following year as well as certain grant funding that has not yet been earned.

Revenue Not Available to Finance Current Expenditures - GASB Statement No. 33 requires all governmental fund revenue to be recognized only when available to finance expenditures of the current period (received within 60 days of year end).

Note 6 - Long-term Debt

Outstanding Debt

Long-term debt consists of the following:

Building Authority obligation to a bank (with West Bloomfield Township as an additional obligor) in connection with the purchase of land. Principal payments due May 1 through 2007 with an interest rate of 3.90 percent \$ 1,055,000

Building Authority Bonds for the West Bloomfield Family Aquatic Center (with West Bloomfield Township as an additional obligor) in connection with the purchase of facilities to be used for a swim club. Principal payments due May 1 through 2007 with an interest rate of 3.55 percent. The Building Authority obligations will be financed by the Commission 1,305,000

The accumulated employee benefits represent the estimated liability to be paid employees under the Commission's sick and vacation pay policy, net of the portion estimated to be paid out of current resources. Under the Commission's policy, employees earn sick and vacation time based on time of service with the Commission 111,535

Total long-term debt \$ 2,471,535

West Bloomfield Township

Parks and Recreation Commission

Notes to Financial Statements December 31, 2003

Note 6 - Long-term Debt (Continued)

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the Commission for the year ended December 31, 2003:

	<u>Building Authority Obligations</u>		<u>Accumulated</u>	
	<u>Land</u>	<u>Family Aquatic</u>	<u>Employee</u>	
	<u>Acquisition</u>	<u>Center</u>	<u>Benefits</u>	<u>Total</u>
Balance - January 1, 2003	\$ 1,290,000	\$ 1,565,000	\$ 104,222	\$ 2,959,222
Debt retired	(235,000)	(260,000)	-	(495,000)
Increase in accumulated employee benefits	-	-	7,313	7,313
Balance - December 31, 2003	<u>\$ 1,055,000</u>	<u>\$ 1,305,000</u>	<u>\$ 111,535</u>	<u>\$ 2,471,535</u>

Debt Service Requirements

The annual principal and interest requirements for the debt outstanding as of December 31, 2003 (excluding accumulated employee benefits) are as follows:

<u>Years Ending</u> <u>December 31</u>	<u>Amount</u>
2004	\$ 612,823
2005	637,148
2006	649,942
2007	<u>641,743</u>
Total	<u>\$ 2,541,656</u>

Interest

Total interest expense for the year ended December 31, 2003 was approximately \$96,000.

West Bloomfield Township Parks and Recreation Commission

Notes to Financial Statements December 31, 2003

Note 7 - Budget Information

The annual budget is prepared by the Finance Committee, adopted by the Parks and Recreation Commission, and approved by the West Bloomfield Township Board. Subsequent amendments are adopted by the Parks and Recreation Commission. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget at the activity level adopted by the Commission is included in the financial statements. This comparison includes minor expenditure budget overruns.

The 2004 budget has expenditures budgeted over revenue in the amount of \$198,991, which has been designated in the General Fund.

Note 8 - Defined Contribution Retirement Plan (West Bloomfield Money Purchase Plan)

The Commission provides pension benefits to all of its full-time and qualifying part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment.

As established by Commission resolution, the Commission contributes 5 percent of employees' gross earnings for employees hired prior to October 31, 2003.

Effective November 1, 2003, an amendment to the defined contribution retirement plan was made resolving that the Commission will contribute 10 percent of each employee's gross earnings for employees hired on or after the effective date, but these employees will not be able to participate in the defined benefit pension plan (described in Note 9 below.)

The Commission's contributions for each employee hired prior to October 31, 2003 are fully vested after eight years of service. Employees hired after October 31, 2003 are fully vested after six years of service. In accordance with these requirements, the Commission contributed approximately \$51,600 for the year ended December 31, 2003.

West Bloomfield Township Parks and Recreation Commission

Notes to Financial Statements December 31, 2003

Note 9 - Defined Benefit Pension Plan

Plan Description - The Commission participates in the Charter Township of West Bloomfield Employees Retirement System, a defined benefit pension plan that covers all full-time and qualified part-time employees of the Parks and Recreation Commission hired prior to November 1, 2003. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan is administered through the ING Insurance Company. The plan does not prepare an annual financial statement, either as a stand-alone financial report, or by inclusion in the report of a public employee retirement system or another entity.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by Commission resolution for the parks and recreation employees. The plan does not require an employee contribution.

Annual Pension Cost - For the year ended December 31, 2002, the most recent actuarial statement available, the Township's annual pension cost of approximately \$2,713,503 for the plan was equal to the required contribution of approximately \$2,684,000, less interest of approximately \$71,000 on the net pension asset, plus an adjustment to the actuarially required contribution of approximately \$100,000. The actual contribution for the year ended December 31, 2002 was \$2,458,300, of which the Commission's portion was \$90,272. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.5 percent to 17.5 percent per year, and (c) 3.0 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 17 years.

West Bloomfield Township

Parks and Recreation Commission

Notes to Financial Statements December 31, 2003

Note 9 - Defined Benefit Pension Plan (Continued)

The system does not make separate measurements of assets and actuarial accrued liabilities for individual employees. The total defined benefit pension plan, of which the Commission is a part, is represented in the following three-year trend information:

	Fiscal Year Ended December 31		
	2000	2001	2002
Annual pension cost (APC)	\$ 2,007,000	\$ 2,405,000	\$ 2,714,000
Percentage of APC contributed	112%	73%	91%
Net pension obligation (asset)	\$ (1,113,064)	\$ (467,000)	\$ (690,000)
	Actuarial Valuation at December 31		
	2000	2001	2002
Actuarial value of assets	\$ 44,525,864	\$ 47,531,143	\$ 49,074,431
Actuarial accrued liability (AAL)			
(entry age)	\$ 46,607,033	\$ 54,307,871	\$ 59,794,263
Unfunded AAL (UAAL)	\$ 2,081,169	\$ 6,776,728	\$ 10,719,833
Funded ratio	95.5%	87.5%	82.1%
Covered payroll	\$ 14,312,511	\$ 15,070,910	\$ 15,784,191
UAAL as a percentage of covered payroll	14.5%	45.0%	67.9%

Note 10 - Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Commission has purchased commercial insurance for medical benefit claims, participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, and participates in the Michigan Municipal Risk Management Authority (State Pool member) for claims relating to property, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

West Bloomfield Township Parks and Recreation Commission

Notes to Financial Statements December 31, 2003

Note 10 - Risk Management (Continued)

The Michigan Municipal League risk pool program and the State Pool of the Michigan Municipal Risk Management Authority risk pool program operate as common risk-sharing management programs for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 11 - Postemployment Benefits

The Commission provides health care benefits to all full-time employees upon retirement in accordance with the personnel policy. Currently, three retirees are eligible. The Commission includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year ended December 31, 2003, this amounted to approximately \$24,900.

Note 12 - Upcoming Report Change

For the year beginning January 1, 2004, the Commission plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.